



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

FEB - 8 2000

Dear Sir or Madam:

The purpose of this letter is to clarify the procedures to be used for negotiating indirect cost proposals for fiscal year 2000 or earlier. Tribal council and facilities costs will be processed in the same manner as in past negotiations for all indirect cost proposals for fiscal year 2000 or earlier.

We had previously announced changes in the treatment of tribal council costs because of revisions to the Office of Management and Budget Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." At the same time we explained that, based on our interpretation, the Circular required facilities costs to be allocated between direct cost and the indirect cost pool and that tribal organizations would have to allocate facilities costs appropriately in all future proposals. However, several tribes raised questions about our interpretation of the revised Circular and we have requested additional clarification from the Office of Management and Budget. Based on discussions with the Office of Management and Budget and tribal representatives, we will work with the National Congress of American Indians to draft recommended procedures to evaluate the amount of tribal council costs that will be allowable and how to allocate facilities costs in future indirect cost proposals. The Office of Management and Budget will then finalize the procedures to evaluate and allocate these types of costs properly during future indirect cost proposal negotiations. Until these new procedures are finalized, we will continue to evaluate tribal council and facilities costs using the same procedures that we have used in the past for fiscal year 2000 or earlier indirect cost proposals.

If you have any questions about these issues, please contact Mr. Charles Moses, Assistant Director for External Audits at (703) 235- 9235.

Sincerely,

Anne Richards,
Director of External Audits

cc: Assistant Secretary for Indian Affairs